

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Lake Township	County Missaukee
Audit Date 3/31/05	Opinion Date 4/29/05	Date Accountant Report Submitted to State: June 8, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Baird, Cotter & Bishop, P.C.			
Street Address 134 W. Harris Street		City Cadillac	State MI
Accountant Signature 		ZIP 49601	Date 6/7/05

LAKE TOWNSHIP, MISSAUKEE COUNTY

LAKE CITY, MICHIGAN

MARCH 31, 2005

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

MARCH 31, 2005

TABLE OF CONTENTS

	<u>PAGES</u>
Independent Auditors' Report	i-ii
Management's Discussion and Analysis	iii-x
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	1
Statements of Activities	2
Fund Financial Statements	
Governmental Funds	
Balance Sheet - Governmental Funds	3
Reconciliation of the Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures and Changes in Fund Balance	5
Reconciliation of the Statement of Revenues, Expenditures and Changes In	
Fund Balances to the Statement of Activities	6
Proprietary Funds	
Statement of Net Assets	7-8
Statement of Revenues, Expenses, and Changes in Fund Net Assets	9
Statement of Cash Flows	10-11
Fiduciary Funds	
Statement of Fiduciary Net Assets	12
Notes to Financial Statements	13-30
Required Supplementary Information	
Budgetary Comparison Schedule - Major Governmental Funds	31
Major Governmental Funds	
<u>General Fund</u>	
Balance Sheet	32
Schedule of Revenues, Expenditures and Changes In	
Fund Balance - Budget and Actual	33-34
Analysis of Revenues	35
Analysis of Expenditures	36-39
<u>Fire Fund</u>	
Balance Sheet	40
Schedule of Revenues, Expenditures and Changes In	
Fund Balance - Budget and Actual	41
<u>Improvement Revolving Fund</u>	
Balance Sheet	42
Schedule of Revenues, Expenditures and Changes In	
Fund Balance - Budget and Actual	43

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

MARCH 31, 2005

TABLE OF CONTENTS

	<u>PAGES</u>
<u>Debt Service Fund – Sewer Project #2</u>	
Balance Sheet	44
Statement of Revenues, Expenditures and Changes In Fund Balance	45
<u>Debt Service Fund – Sewer Project #3</u>	
Balance Sheet	46
Statement of Revenues, Expenditures and Changes In Fund Balance	47
<u>Debt Service Fund – Sewer Project #4</u>	
Balance Sheet	48
Statement of Revenues, Expenditures and Changes In Fund Balance	49
<u>Sewer Fund</u>	
Statement of Net Assets	50-51
Statement of Revenues, Expenses and Changes In Fund Net Assets	52-53
Statement of Cash Flows	54-55
 Agency Fund	
Statement of Changes in Assets and Liabilities - Current Tax Collection Fund	56
 Other Information	
Statement of 2004 Tax Roll	57-58
Statement of 1993 Bonds Payable	59-60
Letter of Comments and Recommendations	61
Letter of Reportable Conditions	62

134 WEST HARRIS STREET
LAKE CITY, MICHIGAN 49601
231-775-9789
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

April 29, 2005

INDEPENDENT AUDITORS' REPORT

To the Township Board
Lake Township
Missaukee County
Lake City, Michigan

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake Township, Missaukee County, Lake City, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake Township, Missaukee County, Lake City, Michigan, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Township has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* as of April 1, 2004.

The management's discussion and analysis on pages iii through x and budgetary comparison information on page 31 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lake Township, Missaukee County, Lake City, Michigan's basic financial statements. The combining and individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

LAKE TOWNSHIP, MISSAUKEE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Lake Township, a general law township located in Missaukee County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Lake Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2005. In future years, comparative information will be provided.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$4,403,329. Of this amount, \$462,347 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$885,079 an increase of \$41,740 in comparison with the prior year. About 79.77% is available for spending at the Township's discretion.
- ◆ The Township's total debt decreased by \$204,428 during the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The government-wide financial statements, required by GASB 34, are new and being shown for the first time in 2005 for Lake Township. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

LAKE TOWNSHIP, MISSAUKEE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government and administration, public safety, public works, culture and recreation, debt service and other functions. The business-type activities of the Township include Sewer operation.

Fund Financial Statements

For the most part, the fund financial statements are comparable to prior years' financial statements. The primary difference is that the Account Groups (General Fixed Assets and General Long-Term Debt) are no longer reported. The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources. All of the funds of the Township can be divided into two categories - governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – The Township maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Fund since it is considered to be a major fund of the Township.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

LAKE TOWNSHIP, MISSAUKEE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2005

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township are \$4,403,329 at March 31, 2005, meaning the Township's assets were greater than its liabilities by this amount. Because of GASB Statement Number 34, this is the first year that this information is presented; therefore, only one year of data is shown. A useful comparative analysis will be presented in future years when the information is available.

Lake Township
Net Assets as of March 31, 2005

	Governmental Activities	Business-Type Activities	Total Primary Government
Assets			
Current Assets	\$ 1,428,877	\$ (121,505)	\$ 1,307,372
Restricted Assets	0	60,492	60,492
Non Current Assets			
Capital Assets	43,666	4,783,884	4,827,550
Less: Accumulated Depreciation	(24,504)	(941,242)	(965,746)
Total Non Current Assets	19,162	3,842,642	3,861,804
Total Assets	\$ 1,448,039	\$ 3,781,629	\$ 5,229,668
Liabilities			
Current Liabilities	\$ 5,054	\$ 8,585	\$ 13,639
Long-term Liabilities	810,000	2,700	812,700
Total Liabilities	815,054	11,285	826,339
Net Assets			
Invested in Capital Assets	19,162	3,687,012	3,706,174
Restricted for Specific Purposes	174,316	60,492	234,808
Unrestricted	439,507	22,840	462,347
Total Net Assets	632,985	3,770,344	4,403,329
Total Liabilities and Net Assets	\$ 1,448,039	\$ 3,781,629	\$ 5,229,668

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the

LAKE TOWNSHIP, MISSAUKEE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2005

These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities except for business-type activities current assets.

The total net assets of the Township increased by \$93,360 or 2.166% in this fiscal year, which is a good indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

Lake Township
Change in Net Assets
for the Fiscal Year Ended March 31, 2005

	Governmental Activities	Business-Type Activities	Total Primary Government
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$ 8,731	\$ 213,426	\$ 222,157
Capital Grants and Contributions	35,220	0	35,220
General Revenues			
Property Taxes and Assessments	204,017	0	204,017
State Shared Revenue	168,855	0	168,855
Unrestricted Investment Earnings	9,147	583	9,730
Other	3,137	11,130	14,267
Total Revenues	\$ 429,107	\$ 225,139	\$ 654,246
<u>Expenses</u>			
Legislative	\$ 10,338	\$ 0	\$ 10,338
General Government, Administrative	125,782	0	125,782
Public Safety	54,835	0	54,835
Public Works	43,171	0	43,171
Culture and Recreation	2,238	0	2,238
Other Functions	15,446	0	15,446
Debt Service	50,277	0	50,277
Sewer	0	258,799	258,799
Total Expenses	\$ 302,087	\$ 258,799	\$ 560,886

LAKE TOWNSHIP, MISSAUKEE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Changes in Net Assets	127,020	(33,660)	93,360
NET ASSETS – Beginning of Year	505,965	3,804,004	4,309,969
NET ASSETS – End of Year	\$ 632,985	\$ 3,770,344	\$ 4,403,329

Governmental Activities

During the fiscal year ended March 31, 2005, the Township's net assts increased by \$127,020 or 25.10% in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant part of the revenue for all governmental activities of Lake Township comes from property taxes. The Township levied a millage for fire protection, in addition to the operating millage, this fiscal year. The Township levied 1.5000 mills for operating purposes, and 0.4657 mills for fire protection.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax and motor fuel and weight taxes. In 2005, the amount of state shared revenue received by the Township trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

Capital grants represent grant dollars, whether federal, state, or local, that the Township has secured in order to assist in capital asset construction and infrastructure improvement within the Township. The contributions received during the current fiscal year represents special assessments and related interest used by the Township for sewer purposes.

The Township's governmental activities expenses are dominated by general governmental expenses that total 41.64% of total expenses. The Township spent \$125,782 in fiscal year 2005 on general administrative expenses. Public safety represented the next largest expense at \$54,835 followed by debt service at \$50,277. These represent 18.15% and 16.64% respectively.

Business-Type Activities

The Township utilizes a Sewer Fund to account for its sewer operations. Revenue is collected from customers within the Township. These charges for services totaled \$213,426 for 2005. Expenses for depreciation represent the largest portion of the Sewer Fund expenses at \$99,584 followed by salaries at \$52,261. These represent 38.48% and 20.19% respectively.

Sewer operations experienced a 0.885% decrease in net assets. This is due mainly to the deduction for depreciation expense on the capital assets.

LAKE TOWNSHIP, MISSAUKEE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

The Sewer Fund is the Township's only Business-Type activity.

Financial Analysis of the Government's Funds

Governmental Activities The focus of Lake Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Lake Township's governmental funds reported combined ending fund balances of \$885,079. Approximately 79.77% of this total amount (\$706,005) constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures that relate to fire protection.

General Fund – The General Fund increased its fund balance by \$34,936 which brings the fund balance to \$194,508. Of the General Fund's fund balance, \$193,363 is unreserved while \$1,145 is reserved for prepaid expenditures. All of the General Fund's functions, except for other functions, ended the year with expenditures below budgeted amounts. The other functions differential is minor and was funded by available fund balance. Property tax revenues increased by 31.769% or \$37,647. State shared revenues decreased by \$336 from the prior year. This represents a 0.199% reduction which resulted from the State Actions in response to the economic slowdown experienced throughout the State of Michigan.

Fire Fund – The Fire Fund decreased its fund balance by \$313 which brings the fund balance to \$46,280. This balance is reserved and must be used for fire protection.

The Township levied a fire millage on the 2004 tax roll. This resulted in \$47,620 in tax related revenues during the current fiscal year.

Improvement Revolving Fund – The Improvement Revolving Fund increased its fund balance by \$106,166 which brings the fund balance to \$512,642. The balance is designated to be used for Township improvements.

There were no expenditures and the only revenue was interest income. During the prior year, there were no expenditures and the only revenue was interest income.

Proprietary Fund The Township's proprietary fund provides the same information as the government-wide statements.

Sewer Fund – The Sewer Fund ended the fiscal year with a decrease in net assets of \$33,660. This is due largely to the deduction of depreciation expense on the Fund's capital assets. The unrestricted net assets actually increased \$12,277 also due mainly to the deduction of depreciation expense. Net assets invested in capital assets, net of related debt decreased by \$61,092. A positive change in cash flows illustrates that actual cash inflows are higher than cash outflows.

LAKE TOWNSHIP, MISSAUKEE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental and business-type activities as of March 31, 2005 amounted to \$3,861,804 net of accumulated depreciation. The total net increase in the Township's investment in capital assets for the current fiscal year was 1.08% entirely in the business-type activities.

Capital assets summarized below include any items purchased with a cost greater than \$5,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

Lake Township
Capital Assets as of March 31, 2005

	Governmental Activities		Business-Type Activities		Total Primary Government
Land and Land Improvements	\$ 16,000	\$	0	\$	16,000
Buildings	27,666		0		27,666
Improvements Other than Buildings	0		4,713,258		4,713,258
Equipment, Furniture and Fixtures	0		70,626		70,626
	43,666		4,783,884		4,827,550
Less Accumulated Depreciation	24,504		941,242		965,746
Net Capital Assets	\$ 19,162	\$	3,842,642	\$	3,861,804

Major capital asset events during the current fiscal year included the following:

- ◆ A lagoon expansion.
- ◆ A new well at Berry Lane for sewer purposes.
- ◆ The purchase of a 2005 Dodge Ram pickup truck.

Long-Term Debt. Lake Township has special assessment bonds payable which will be funded by special assessment income. Additionally, the township has a small note payable in the sewer fund.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues.

A fire millage was once again levied for the 2005 tax roll.

These factors were considered in preparing the Township's budgets for the 2005-06 fiscal year.

LAKE TOWNSHIP, MISSAUKEE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Lake Township at 8105 Kelly Road, Lake City, MI 49651.

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN
STATEMENT OF NET ASSETS
MARCH 31, 2005

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS
<u>ASSETS</u>			
Cash	\$ 671,774	\$ 17,521	\$ 689,295
Receivables			
Taxes	18,120	0	18,120
Accounts	2,317	11,032	13,349
Accrued Interest	5,229	0	5,229
Special Assessments	551,247	0	551,247
External Parties (Fiduciary Funds)	4,998	0	4,998
Internal Balances	150,058	(150,058)	0
Prepaid Expenses	25,134	0	25,134
Total Current Assets	1,428,877	(121,505)	1,307,372
<u>RESTRICTED ASSETS</u>			
Cash	0	60,492	60,492
<u>CAPITAL ASSETS</u>			
Land and Land Improvements	16,000	0	16,000
Buildings	27,666	0	27,666
Improvements Other Than Buildings	0	4,713,258	4,713,258
Equipment, Furniture and Fixtures	0	70,626	70,626
	43,666	4,783,884	4,827,550
Less Accumulated Depreciation	(24,504)	(941,242)	(965,746)
Net Capital Assets	19,162	3,842,642	3,861,804
TOTAL ASSETS	1,448,039	3,781,629	5,229,668
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	2,529	1,321	3,850
Accrued Interest Payable	2,525	4,392	6,917
Current Portion of Long-Term Debt	0	2,872	2,872
Total Current Liabilities	5,054	8,585	13,639
<u>LONG-TERM LIABILITIES</u>			
Debt Service Bonds Payable	810,000	0	810,000
Notes Payable	0	5,572	5,572
Less: Current Portion	0	(2,872)	(2,872)
Total Long-Term Liabilities	810,000	2,700	812,700
TOTAL LIABILITIES	815,054	11,285	826,339
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	19,162	3,687,012	3,706,174
Restricted for Specific Purposes	174,316	60,492	234,808
Unrestricted	439,507	22,840	462,347
TOTAL NET ASSETS	\$ 632,985	\$ 3,770,344	\$ 4,403,329

The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2005

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR	OPERATING	CAPITAL	GOVERNMENTAL	BUSINESS-TYPE	TOTALS
		SERVICES	GRANTS AND	GRANTS AND	ACTIVITIES	ACTIVITIES	
			CONTRIBUTIONS	CONTRIBUTIONS			
<u>PRIMARY GOVERNMENT</u>							
<u>GOVERNMENTAL ACTIVITIES</u>							
Legislative	\$ 10,338	\$ 0	\$ 0	\$ 0	\$ (10,338)	\$ 0	\$ (10,338)
General Government, Administrative	125,782	8,731	0	0	(117,051)	0	(117,051)
Public Safety	54,835	0	0	0	(54,835)	0	(54,835)
Public Works	43,171	0	0	0	(43,171)	0	(43,171)
Culture and Recreation	2,238	0	0	0	(2,238)	0	(2,238)
Other Functions	15,446	0	0	0	(15,446)	0	(15,446)
Debt Service	50,277	0	0	35,220	(15,057)	0	(15,057)
Total Governmental Activities	302,087	8,731	0	35,220	(258,136)	0	(258,136)
<u>BUSINESS-TYPE ACTIVITIES</u>							
Sewer System	258,799	213,426	0	0	0	(45,373)	(45,373)
TOTAL	\$ 560,886	\$ 222,157	\$ 0	\$ 35,220	\$ (258,136)	\$ (45,373)	\$ (303,509)
<u>GENERAL REVENUES</u>							
Property Tax and Special Assessments					\$ 204,017	\$ 0	\$ 204,017
State Shared Revenue					168,855	0	168,855
Unrestricted Investment Earnings					9,147	583	9,730
Other					3,137	11,130	14,267
Total General Revenues and Transfers					385,156	11,713	396,869
Change in Net Assets					127,020	(33,660)	93,360
<u>NET ASSETS</u> - Beginning of Year					505,965	3,804,004	4,309,969
<u>NET ASSETS</u> - End of Year					\$ 632,985	\$ 3,770,344	\$ 4,403,329

The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
MARCH 31, 2005

	GENERAL FUND	FIRE FUND	IMPROVEMENT REVOLVING FUND	SEWER PROJECT #2	SEWER PROJECT #3	SEWER PROJECT #4	TOTALS
<u>ASSETS</u>							
Cash	\$ 174,379	\$ 18,651	\$ 312,355	\$ 4,035	\$ 10,084	\$ 152,270	\$ 671,774
Taxes Receivable	13,821	4,299	0	0	0	0	18,120
Accounts Receivable	2,317	0	0	0	0	0	2,317
Accrued Interest Receivable	0	0	5,229	0	0	0	5,229
Special Assessments Receivable	0	0	0	10,062	35,753	505,432	551,247
Advances to Other Funds	5,730	0	195,058	0	0	0	200,788
Prepaid Expenditures	1,145	23,989	0	0	0	0	25,134
TOTAL ASSETS	<u>\$ 197,392</u>	<u>\$ 46,939</u>	<u>\$ 512,642</u>	<u>\$ 14,097</u>	<u>\$ 45,837</u>	<u>\$ 657,702</u>	<u>\$ 1,474,609</u>
<u>LIABILITIES AND FUND BALANCE</u>							
<u>LIABILITIES</u>							
Accounts Payable	\$ 2,529	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,529
Accrued Interest Payable	0	0	0	0	837	0	837
Advances From Other Funds	0	0	0	732	45,000	0	45,732
Deferred Revenue	355	119	0	9,752	35,145	495,061	540,432
	<u>2,884</u>	<u>119</u>	<u>0</u>	<u>10,484</u>	<u>80,982</u>	<u>495,061</u>	<u>589,530</u>
<u>FUND BALANCE</u>							
Reserved for:							
Prepaid Expenditures	1,145	23,989	0	0	0	0	25,134
Fire Protection	0	22,831	0	0	0	0	22,831
Debt Retirement	0	0	0	3,613	(35,145)	162,641	131,109
Unreserved							
Designated for							
Township Improvements	0	0	512,642	0	0	0	512,642
Undesignated	193,363	0	0	0	0	0	193,363
Total Fund Balance	<u>194,508</u>	<u>46,820</u>	<u>512,642</u>	<u>3,613</u>	<u>(35,145)</u>	<u>162,641</u>	<u>885,079</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 197,392</u>	<u>\$ 46,939</u>	<u>\$ 512,642</u>	<u>\$ 14,097</u>	<u>\$ 45,837</u>	<u>\$ 657,702</u>	<u>\$ 1,474,609</u>

The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2005

Total Fund Balances for Governmental Funds	\$ 885,079
--	------------

Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	16,000	
Buildings	27,666	
Accumulated Depreciation	<u>(24,504)</u>	19,162

Other long-term assets are not available to pay for current period
expenditures and therefore are not reported in the funds

Special Assessment Receivables	539,958	
Personal Property Taxes Receivables	<u>474</u>	540,432

Long-term liabilities are not due and payable in the current period
and therefore are not reported in the funds.

Debt Service Bonds Payable	(810,000)	
Accrued Interest Payable	<u>(1,688)</u>	<u>(811,688)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 632,985</u>
---------------------------------------	-------------------

The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2005

	GENERAL FUND	FIRE FUND	IMPROVEMENT REVOLVING FUND	SEWER PROJECT #2	SEWER PROJECT #3	SEWER PROJECT #4	TOTALS
<u>REVENUES</u>							
Taxes	\$ 156,148	\$ 47,620	\$ 0	\$ 0	\$ 0	\$ 0	\$ 203,768
State Grants	168,855	0	0	0	0	0	168,855
Charges for Services	8,731	0	0	0	0	0	8,731
Interest and Rents	1,370	45	6,166	169	17	1,380	9,147
Other Revenues	3,137	0	0	1,602	8,440	150,130	163,309
Total Revenues	338,241	47,665	6,166	1,771	8,457	151,510	553,810
<u>EXPENDITURES</u>							
Legislative	10,338	0	0	0	0	0	10,338
General Government	125,255	0	0	0	0	0	125,255
Public Safety	6,857	47,978	0	0	0	0	54,835
Public Works	43,171	0	0	0	0	0	43,171
Culture and Recreation	2,238	0	0	0	0	0	2,238
Other Functions	15,446	0	0	0	0	0	15,446
Debt Service	0	0	0	0	63,912	196,875	260,787
Total Expenditures	203,305	47,978	0	0	63,912	196,875	512,070
Excess (Deficiency) of Revenues Over Expenditures	134,936	(313)	6,166	1,771	(55,455)	(45,365)	41,740
<u>OTHER FINANCING SOURCES (USES)</u>							
Operating Transfers In	0	0	100,000	0	0	0	100,000
Operating Transfers Out	(100,000)	0	0	0	0	0	(100,000)
Total Other Financing Sources (Uses)	(100,000)	0	100,000	0	0	0	0
Net Change in Fund Balance	34,936	(313)	106,166	1,771	(55,455)	(45,365)	41,740
<u>FUND BALANCE -</u> Beginning of Year	159,572	47,133	406,476	1,842	20,310	208,006	843,339
<u>FUND BALANCE -</u> End of Year	\$ 194,508	\$ 46,820	\$ 512,642	\$ 3,613	\$ (35,145)	\$ 162,641	\$ 885,079

The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2005

Net change in Fund Balance - Total Governmental Funds	\$ 41,740
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(527)
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid.	
Accrued Interest Payable - Beginning of Year	2,198
Accrued Interest Payable - End of Year	(1,688)
Repayments of principal on long-term debt is an expenditure in the governmental fund, but not in the statement of activities (where it is a reduction of liabilities).	
Special Assessments Bonds Payable	210,000
Under modified accrual basis of accounting, revenue is recognized when measurable and certain. The entity wide statements recognize revenue when earned.	
Special assessment revenue previously recognized when earned for the entity wide statements.	(124,952)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in personal property tax revenue deferred using the modified accrual method	<u>249</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 127,020</u></u>

The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

PROPRIETARY FUND

STATEMENT OF NET ASSETS

MARCH 31, 2005

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 17,521
Accounts Receivable	11,032
	<hr/>
Total Current Assets	28,553
	<hr/>
<u>RESTRICTED ASSETS</u>	
Cash	60,492
	<hr/>
<u>CAPITAL ASSETS</u>	
Machinery and Equipment	70,626
Improvements Other Than Buildings	4,713,258
	<hr/>
	4,783,884
	<hr/>
Less Accumulated Depreciation	(941,242)
	<hr/>
Net Capital Assets	3,842,642
	<hr/>
TOTAL ASSETS	\$ 3,931,687
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

PROPRIETARY FUND

STATEMENT OF NET ASSETS

MARCH 31, 2005

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$ 1,321
Accrued Interest Payable	4,392
Advances From Other Funds	150,058
Current Portion of Long-Term Debt	2,872
Total Current Liabilities	<u>158,643</u>
<u>LONG-TERM ASSETS</u>	
Notes Payable	5,572
Less: Current Portion	(2,872)
Total Long-Term Liabilities	<u>2,700</u>
 TOTAL LIABILITIES	 <u>161,343</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	3,687,012
Restricted	60,492
Unrestricted	22,840
 Total Net Assets	 <u>3,770,344</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 3,931,687</u>

The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

MARCH 31, 2005

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>OPERATING REVENUES</u>	
Charges for Services	\$ 213,426
Other Revenue	11,130
	<u>224,556</u>
 <u>OPERATING EXPENSES</u>	
Administration and General	16,159
Plant	<u>239,499</u>
 Total Operating Expenses	<u>255,658</u>
 Operating Income (Loss)	<u>(31,102)</u>
 <u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest Income	583
Interest Expense	<u>(3,141)</u>
Total Nonoperating Revenues (Expenses)	<u>(2,558)</u>
 Change in Net Assets	(33,660)
 <u>NET ASSETS</u> - Beginning of Year	<u>3,804,004</u>
 <u>NET ASSETS</u> - End of Year	<u><u>\$ 3,770,344</u></u>

The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, MISSAUKEE COUNTY

LAKE CITY, MICHIGAN

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

MARCH 31, 2005

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 207,767
Cash Payments to Suppliers for Goods and Services	(103,732)
Cash Payments to Employees for Services	(52,261)
Other Operating Revenues	11,130
	<hr/>
Net Cash Provided by Operating Activities	62,904
	<hr/>
Cash Flows from Capital and Related Financing Activities:	
Acquisition and Construction of Capital Assets	(41,166)
Principal Payments	(428)
Interest Expense Paid	(146)
Loan Proceeds	6,000
	<hr/>
Net Cash Provided (Used) by Capital and Related Financing Activities	(35,740)
	<hr/>
Cash Flows from Investing Activities:	
Interest Received	583
	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	27,747
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	50,266
	<hr/>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 78,013
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, MISSAUKEE COUNTY

LAKE CITY, MICHIGAN

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

MARCH 31, 2005

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>RECONCILIATION OF OPERATING INCOME</u>	
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>	
Operating Income (Loss)	<u>\$ (31,102)</u>
Adjustments to Reconcile Operating Income	
To Net Cash Provided by Operating Activities	
Depreciation	99,584
(Increase) Decrease in Current Assets	
Accounts Receivable	(3,670)
Increase (Decrease) in Current Liabilities	
Accounts Payable	81
Deferred Revenue	<u>(1,989)</u>
Total Adjustments	<u>94,006</u>
NET CASH PROVIDED BY	
OPERATING ACTIVITIES	<u><u>\$ 62,904</u></u>

The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

FIDUCIARY FUND

STATEMENT OF FIDUCIARY NET ASSETS

MARCH 31, 2005

	<u>ASSETS</u>	<u>AGENCY</u>
<u>CURRENT ASSETS</u>		
Cash		\$ 4,998
<u>LIABILITIES</u>		
Advances to Other Funds		\$ 4,998

The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Lake Township is a general law township located in Missaukee County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

During fiscal year 2005, the Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Lake Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditure for fire protection.

The *Improvement Revolving Fund* accounts for revenue sources that are designated for improvements in the Township.

The *Sewer Project #2 Debt Service Fund* accounts for the servicing of long-term debt on Sewer Project #2 that is not being financed by proprietary or nonexpendable trust funds.

The *Sewer Project #3 Debt Service Fund* accounts for the servicing of long-term debt on Sewer Project #3 that is not being financed by proprietary or nonexpendable trust funds.

The *Sewer Project #4 Debt Service Fund* accounts for the servicing of long-term debt on Sewer Project #4 that is not being financed by proprietary or nonexpendable trust funds.

Lake Township reports the following major proprietary fund:

The *Sewer Fund* records financial activity of the Township's sewer system.

Additionally Lake Township reports the following fund types:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

(I) The Township Board has authorized the Township Treasurer to invest in the following:

The Treasurer may invest Township funds in certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank but only if the bank, savings and loan association, or credit union meets all criteria as a depository of public funds contained in state law. The standard of prudence to be used shall be the "fiduciary" standard and shall be applied in context of managing an overall portfolio.

The prior approval of the Township Board, shall be required for the Treasurer to invest in any other lawful investment instruments. The Township Board's standard of prudence shall be the "fiduciary" standard, which shall be applied in context of managing an overall portfolio. The Township Board may authorize the Treasurer to invest in the following:

Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

Repurchase agreements consisting of instruments listed above.

Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.

Bankers' acceptances of United States banks.

Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.

Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either or the following:

- (1) The purchase of securities on a when-issued or delayed delivery basis.
- (2) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
- (3) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.

Obligations described above if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.

Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.110 to 129.118.

The investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141. to 129.150.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes are levied and due July 1, and become delinquent after September 14. County and the balance of school taxes are levied and due December 1, and become delinquent after February 14. Collections of school and county taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2004 taxable valuation of Lake Township totaled \$102,293,898, on which ad valorem taxes levied consisted of 1.5000 mills for Lake Township operating purposes and 0.4657 mills for Lake Township fire protection. These levies raised approximately \$153,428 for operating purposes and \$47,623 for fire protection.

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building improvements	20
Public domain infrastructure	50
System infrastructure	20
Vehicles	5
Equipment	5-10

Lake Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning April 1, 2004, in accordance with the Township's capitalization policy.

5. *Long-term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

8. *Restricted Assets*

The \$60,492 restricted assets in the Sewer Fund represent monies required to be set aside and accounted for separately by provisions of the sewer rate ordinance and sanitary drain operation agreement.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on March 25, 2004, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

B. Funds with Expenditures in Excess of Appropriations were as follows:

	<u>APPROPRIATIONS</u>		<u>EXPENDITURES</u>
General Fund			
Other Functions	\$ 14,369	\$	15,446
Fire Fund	42,000		47,978

These overages were funded by greater than anticipated revenues and available fund balance.

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The Township's deposits are owned by several of the Township's funds. A total of \$390,952 of the Township's \$896,116 of total bank investments and deposits are in accounts which exceed the Federal depository insurance and are uncollateralized. The remaining \$505,164 of bank deposits and investments are in separate accounts which are fully insured. All bank deposits and investments are in the Chemical Bank West, Lake City, Michigan and Fifth Third Bank, Cadillac, Michigan. At year-end, the carrying amount of the Township's deposits was \$754,785 and the bank balance was \$896,116.

The carrying amount of the Township's deposits and investments at year-end are shown below:

	BANK DEPOSITS	
	COMMERCIAL ACCOUNTS	MONEY MARKET ACCOUNTS
General Fund	\$ 2,000	\$ 172,379
Fire Fund	0	18,651
Improvement Revolving Fund	0	312,355
Debt Service – Sewer Project #2 Fund	0	4,035
Debt Service – Sewer Project #3 Fund	0	10,084
Debt Service – Sewer Project #4 Fund	0	152,270
Sewer Operation and Maintenance Fund	17,521	60,492
Current Tax Collection Fund	16	4,982
	<u>\$ 19,537</u>	<u>\$ 735,248</u>

A reconciliation of cash follows:

Government-wide Statement of Net Assets

Cash	\$ 689,295
Restricted Assets - Cash	60,492

Statement of Fiduciary Net Assets

Cash	4,998
	<u>\$ 754,785</u>

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

B. Receivables

Receivables as of year end for the government's individual major funds in aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	Fire	Improvement Revolving	Sewer #2	Sewer #3	Sewer #4	Total
Receivables							
Taxes	\$ 13,821	\$ 4,299	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,120
Accounts	2,317	0	0	0	0	0	2,317
Accrued Interest	0	0	5,229	0	0	0	5,229
Special Assessments							
Current	0	0	0	310	608	10,371	11,289
Deferred	0	0	0	9,752	35,145	495,061	539,958
	<u>\$ 16,138</u>	<u>\$ 4,299</u>	<u>\$ 5,229</u>	<u>\$ 10,062</u>	<u>\$ 35,753</u>	<u>505,432</u>	<u>\$ 576,913</u>

The allowance for doubtful accounts is not considered to be material for disclosure. In addition, any delinquent sewer service receivables can be placed on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Deferred Revenue	
	Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	\$ 355	\$ 0
Delinquent property taxes receivable (Special Revenue Fund)	119	0
Special assessment receivables (Debt Service Funds)	539,958	0
	<u>\$ 540,432</u>	<u>\$ 0</u>

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 16,000	\$ 0	\$ 0	\$ 16,000
Capital assets, being depreciated				
Buildings	\$ 27,666	\$ 0	\$ 0	\$ 27,666
Less accumulated depreciation for:				
Buildings	\$ 23,977	\$ 527	\$ 0	\$ 24,504
Total capital assets, being depreciated, net	\$ 3,689	\$ (527)	\$ 0	\$ 3,162
Governmental activities capital assets, net	\$ 19,689	\$ (527)	\$ 0	\$ 19,162

Business-Type Activities

Capital assets, being depreciated				
Improvements other than buildings	\$ 4,696,858	\$ 16,400	\$ 0	\$ 4,713,258
Machinery and equipment	45,860	24,766	0	70,626
Total capital assets, being depreciated	\$ 4,742,718	\$ 41,166	\$ 0	\$ 4,783,884
Less accumulated depreciation for:				
Improvements other than buildings	\$ 825,178	\$ 4,233	\$ 0	\$ 829,411
Machinery and equipment	16,480	95,351	0	111,831
Total accumulated depreciation	841,658	99,584	0	941,242
Business-type activities capital assets, net	\$ 3,901,060	\$ (58,418)	\$ 0	\$ 3,842,642

Depreciation expense was charged to functions/programs of the primary government as follows:

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

Governmental activities:	
General Government	\$ <u>527</u>
Business-type activities:	
Sewer	\$ <u>99,584</u>

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2005.

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at March 31, 2005, were:

	ADVANCES TO OTHER FUNDS	ADVANCES FROM OTHER FUNDS
General Fund	\$ 5,730	\$ 0
Special Revenue Funds		
Improvement Revolving	195,058	0
Debt Service Funds		
Sewer Project #2	0	732
Sewer Project #3	0	45,000
Enterprise Funds		
Sewer	0	150,058
Fiduciary Funds		
Current Tax Collection	0	4,998
	<u>\$ 200,788</u>	<u>\$ 200,788</u>

Amount expected to be repaid within one year:	\$ <u>45,732</u>
---	------------------

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

Interfund Transfers as of March 31, 2005, were:

	TRANSFERS	
	IN	OUT
<u>Primary Government</u>		
General Fund	\$ 0	\$ 100,000
Improvement Revolving Fund	100,000	0
	<u>\$ 100,000</u>	<u>\$ 100,000</u>

Transfers are used (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

E. Long-Term Debt

The following is a summary of the long-term debt transactions of the Township for the year ended March 31, 2005:

	SPECIAL ASSESSMENT BONDS
Debt Payable at April 1, 2004	\$ 1,020,000
New Debt Incurred	0
Debt Retired	<u>(210,000)</u>
Debt Payable at March 31, 2005	<u>\$ 810,000</u>
Due within one year	<u>\$ 0</u>

The Township's long-term debt consists of the following:

Special Assessment Bonds

1993 Missaukee Sanitary Drainage District No. 2 Drain Bonds; due in annual installments of \$40,000 to \$240,000 each May 1; interest at 5.00%	<u>\$ 810,000</u>
--	-------------------

The annual requirements to amortize debt outstanding as of March 31, 2005, are as follows:

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

Year Ending March 31,	Principal	Interest	Total
2006	\$ 0	\$ 40,500	\$ 40,500
2007	0	40,500	40,500
2008	0	40,500	40,500
2009	115,000	37,625	152,625
2010	225,000	29,125	254,125
2011-2012	470,000	23,750	493,750
	<u>\$ 810,000</u>	<u>\$ 212,000</u>	<u>\$ 1,022,000</u>

Business-Type Activities:

	<u>NOTES</u>
Debt Payable at April 1, 2004	\$ 0
New Debt Incurred	6,000
Debt Retired	<u>(428)</u>
Debt Payable at March 31, 2005	<u>\$ 5,572</u>
Due within one year	<u>\$ 2,872</u>

The Township's long-term debt consists of the following:

Notes

\$6,000 loan due in monthly installment of \$287 through January 2007; interest at 13.49%	<u>\$ 5,572</u>
--	-----------------

Year Ending March 31,	Principal	Interest	Total
2006	\$ 2,872	\$ 569	\$ 3,441
2007	2,700	168	2,868
	<u>\$ 5,572</u>	<u>\$ 737</u>	<u>\$ 6,309</u>

F. Fund Balance Reserves and Designations

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances/retained earnings in various funds. In addition, certain

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

portions of unreserved fund balances/retained earnings have been designated for intended future uses. These reserves and designations are detailed in the following schedule:

NET ASSETS

Restricted

Special Revenue Funds

Special Purposes \$ 46,820

Debt Service Funds

Debt Service 127,496

\$ 174,316

FUND BALANCE

Reserved

General Fund

Prepaid Expenditures \$ 1,145

Special Revenue Funds

Fire Fund

Fire Protection \$ 22,831

Prepaid Expenditures 23,989 46,820

Debt Service Funds

Reserved for Debt Service

Sewer Project 131,109

Designated

Improvement Revolving Fund

Designated for Township Improvements 512,642

TOTAL FUND BALANCE

RESERVATIONS AND DESIGNATIONS \$ 691,716

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

B. Debt Service Fund - Sewer Project #2

A special assessment roll was levied July 1, 1985, to generate monies to finance the construction of an addition to the Missaukee Sanitary Drain No. 1 and Branches Drainage District. The total amount of the roll was \$237,100. On June 14, 1986, the special assessment roll was revised and increased to \$262,350 due to an increase in the basic charge per buildable lot and an increase in the connection charge. Each assessment is due and payable over a period of twenty years with interest at 9.20%. At March 31, 2005, total special assessments receivable amounted to \$310. Of this total, \$310 has been recognized in the Sewer Project #2 balance sheet as Special Assessments Receivable.

C. Debt Service Fund - Sewer Project #3

A special assessment roll was levied December 1, 1990 to generate monies to finance the construction of an addition to the Missaukee Sanitary Drain No. 1 and Branches Drainage District. The total amount of the roll was \$634,225. Each assessment is due and payable over a period of twenty years with interest at 8.00%. At March 31, 2005, total special assessments receivable amounted to \$11,388. Of this total, \$11,388 has been recognized in the Sewer Project #3 balance sheet as Special Assessments Receivable. Deferred Revenue of \$10,780 has been recognized also. The difference of \$608 represents delinquent assessments which were placed on the 2004 tax roll and remain expect to be collected within 60 days of year end.

D. Debt Service Fund - Sewer Project #4

A special assessment roll was levied in July of 1992 to generate monies to finance the construction of the Missaukee Sanitary Drain No. 2. The total amount of the roll was \$3,625,938. Each assessment is due and payable over a period of twenty years with interest of 6.20%. At March 31, 2005, total special assessments receivable amounted to \$519,433. Of this total, \$397,334 has been recognized in the Sewer Project #4 balance sheet as Special Assessment Receivable. Deferred Revenue of \$389,077 has been recognized also. The difference of \$8,257 represents delinquent assessments which were placed on the 2004 tax roll and expect to be collected within 60 days of year end.

E. Lake Missaukee Area Fire Authority

The Lake Missaukee Area Fire Authority is a joint venture by and between the City of Lake City and the townships of Caldwell, Forest, Lake, Pioneer, and Reeder. This joint venture was created to provide fire protection for the listed governments. Each municipality pays an annual base amount equal to one-

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

half of one mill of taxable value of the real property located in the areas of the municipality covered by this agreement. In addition, the Township pays \$450 per fire run within the Township.

In addition to the annual contribution, each township is required to contribute monies in order to construct a fire station and purchase fire equipment.

For the year ended March 31, 2005, the Township contributed a total of \$54,478 to the Fire Authority, of which \$1,500 was for fire runs within the Township.

The following financial information was taken from the Fire Authority's March 31, 2004 audited financial statements:

Total Assets	\$ 1,235,721
Investment in Fixed Assets	1,175,195
Fund Balance - Unreserved	60,526
Total Receipts	104,057
Total Disbursements	83,002
Net Increase (Decrease) in Fund Balance	21,055

A copy of these audited financial statements may be obtained upon request from the Fire Authority Treasurer.

F. Retirement Plan

The Township has a defined contribution pension plan with Municipal Retirement Systems, Inc., which covers Township employees who have satisfied the eligibility requirements. Each employee becomes eligible for coverage on the first policy anniversary date after the employee reaches age 18. An employee's normal retirement date is age 65 or the 5th anniversary of the first day of the plan year in which participation in the plan is commenced.

The formula for determining contributions is based on an employee's annual compensation. Annual compensation is based on compensation which coincides with the calendar year coinciding with or ending within the plan year. Plan year is April 1st to March 31st of the following year. The Township has elected to contribute 12% of compensation to the plan annually. Past service credit is calculated as 3% of current compensation for each year of past service to a maximum of 10 years.

Township contributions to the plan for 2004-05 plan year amounted to \$10,484. Of the \$10,484 in contributions, \$5,693 was paid out of the Sewer Fund. In addition, the Township paid \$180 in service fees. Total wages for those covered under the plan was \$87,367 and total wages for the employees including non-covered payroll was \$102,746.

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

G. Township Obligation for Special Assessment Debts

The Township has special assessment bonds payable totaling \$810,000. In the event that money required to pay such debt is not collected from special assessments assessed against property owners, the Township is obligated to make payment from its own funds. The Township currently has cash and investments totaling \$166,389 to be used for retirement of these bonds. This amount is on deposit in the Special Assessment Debt Retirement Funds.

H. Financing Arrangements

On May 12, 2000, the Township borrowed \$114,000 from Chemical Bank West due in annual installments of \$26,463 including interest at 5.18% through May 12, 2004. The proceeds of this loan were used to purchase two tanker trucks for the Lake Missaukee Area Fire Authority. The Lake Missaukee Area Fire Authority is purchasing these trucks from the Township through an installment sales contract which has the same terms as the Township's loan from the bank. The Fire Authority is making its payments directly to the bank on behalf of the Township. The assets and debt associated with the assets are not shown on the Township records.

On December 29, 2004, Lake Township cosigned on a loan from Chemical Bank West in the amount of \$100,000. This loan is the responsibility of the Lake Missaukee Area Fire Authority. The loan was used to purchase a new fire truck which is collateral for the loan. Payments are due annually beginning June 5, 2005, in installments of \$21,711 including interest at 3.49%. The loan is due in full by June 1, 2009. In the event of default by the Fire Authority, the Township would potentially be liable for the unpaid balance on the loan. The assets and debt associated with the asset are not shown on the Township records. Both will be accounted for in the Fire Authority's records. No liability has been recorded as of year end, as it is unlikely that the Township will need to disburse any funds.

I. Statement of Cash Flows

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2005

	GENERAL FUND				FIRE FUND				IMPROVEMENT REVOLVING			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>												
Taxes	\$ 112,000	\$ 112,000	\$ 156,148	\$ 44,148	\$ 43,000	\$ 43,000	\$ 47,620	\$ 4,620	\$ 0	\$ 0	\$ 0	\$ 0
State Grants	150,000	150,000	168,855	18,855	0	0	0	0	0	0	0	0
Charges for Services	900	900	8,731	7,831	0	0	0	0	0	0	0	0
Interest and Rents	4,000	4,000	1,370	(2,630)	300	300	45	(255)	2,000	2,000	6,166	4,166
Other Revenues	300	300	3,137	2,837	0	0	0	0	0	0	0	0
Total Revenues	267,200	267,200	338,241	71,041	43,300	43,300	47,665	4,365	2,000	2,000	6,166	4,166
<u>EXPENDITURES</u>												
Legislative	13,500	13,500	10,338	3,162	0	0	0	0	0	0	0	0
General Government	133,575	141,405	125,255	16,150	0	0	0	0	0	0	0	0
Public Safety	10,500	10,500	6,857	3,643	42,000	42,000	47,978	(5,978)	0	0	0	0
Public Works	93,700	93,700	43,171	50,529	0	0	0	0	0	0	0	0
Culture and Recreation	4,200	4,200	2,238	1,962	0	0	0	0	0	0	0	0
Other Functions	14,000	14,369	15,446	(1,077)	0	0	0	0	0	0	0	0
Contingency	15,000	13,500	0	13,500	0	0	0	0	0	0	0	0
Total Expenditures	284,475	291,174	203,305	87,869	42,000	42,000	47,978	(5,978)	0	0	0	0
Excess (Deficiency) of Revenues Over Expenditures	(17,275)	(23,974)	134,936	158,910	1,300	1,300	(313)	(1,613)	2,000	2,000	6,166	4,166
<u>OTHER FINANCING SOURCES (USES)</u>												
Transfers In	0	0	0	0	0	0	0	0	10,000	10,000	100,000	90,000
Transfers Out	(10,000)	(10,000)	(100,000)	(90,000)	0	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	(10,000)	(10,000)	(100,000)	(90,000)	0	0	0	0	10,000	10,000	100,000	90,000
Net Change in Fund Balance	(27,275)	(33,974)	34,936	68,910	1,300	1,300	(313)	(1,613)	12,000	12,000	106,166	94,166
<u>FUND BALANCE</u> - Beginning of Year	169,650	169,650	159,572	(10,078)	20,000	20,000	47,133	27,133	187,000	187,000	406,476	219,476
<u>FUND BALANCE</u> - End of Year	\$ 142,375	\$ 135,676	\$ 194,508	\$ 58,832	\$ 21,300	\$ 21,300	\$ 46,820	\$ 25,520	\$ 199,000	\$ 199,000	\$ 512,642	\$ 313,642

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

GENERAL FUND

BALANCE SHEET
MARCH 31, 2005

ASSETS

Cash	
Commercial Account	\$ 2,000
Money Market Accounts	172,379
Taxes Receivable	13,821
Accounts Receivable	2,317
Advances to Other Funds	5,730
Prepaid Expenditures	1,145
	<hr/>
TOTAL ASSETS	\$ 197,392
	<hr/> <hr/>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 2,529
Deferred Revenue	355
	<hr/>
Total Liabilities	2,884
	<hr/>

FUND BALANCE

Balance	
Reserved for Prepaid Expenditures	1,145
Unreserved	193,363
	<hr/>
Total Fund Balance	194,508
	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 197,392
	<hr/> <hr/>

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>		
Taxes	\$ 112,000	\$ 156,148
State Grants	150,000	168,855
Charges for Services	900	8,731
Interest and Rents	4,000	1,370
Other Revenues	300	3,137
	<hr/>	<hr/>
Total Revenues	\$ 267,200	\$ 338,241
	<hr/>	<hr/>
<u>EXPENDITURES</u>		
Legislative		
Township Board	\$ 13,500	\$ 10,338
General Government		
Supervisor	11,675	10,860
Election	4,500	3,788
Assessor	46,330	45,919
Legal Fees	10,000	3,973
Clerk	16,325	13,482
Board of Review	2,500	1,508
Treasurer	31,375	28,536
Building and Grounds	5,000	4,507
Cemetery	5,200	4,462
Conservation Activities	8,500	8,220
Public Safety	10,500	6,857
Public Works	93,700	43,171
Culture and Recreation	4,200	2,238
Other Functions	14,369	15,446
Contingency	13,500	0
	<hr/>	<hr/>
Total Expenditures	\$ 291,174	\$ 203,305
	<hr/>	<hr/>
Excess of Revenues		
Over (Under) Expenditures	\$ (23,974)	\$ 134,936

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>OTHER FINANCING SOURCES (USES)</u>		
Operating Transfers In (Out)		
Township Improvement Revolving Fund	<u>(10,000)</u>	<u>(100,000)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(33,974)	34,936
<u>FUND BALANCE</u> - Beginning of Year	<u>169,650</u>	<u>159,572</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 135,676</u>	<u>\$ 194,508</u>

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

GENERAL FUND

ANALYSIS OF REVENUES
FOR THE YEAR ENDED MARCH 31, 2005

TAXES

Current Property Taxes	\$	153,204	
Delinquent Property Tax and Interest		912	
Payments in Lieu of Taxes			
Swamp Tax		<u>2,032</u>	
Total Taxes			\$ 156,148

STATE GRANTS

State Revenue Sharing			
Sales and Use Tax	\$	163,509	
Telecommunications Right of Way Maintenance		<u>5,346</u>	
Total State Grants			168,855

CHARGES FOR SERVICES

Burial Fees and Cemetery Lot Sales	\$	1,225	
Other Services		<u>7,506</u>	
Total Charges for Services			8,731

INTEREST AND RENTS

Interest Earnings			1,370
-------------------	--	--	-------

OTHER REVENUES

Miscellaneous		<u>3,137</u>	
TOTAL REVENUES			<u><u>\$ 338,241</u></u>

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2005

LEGISLATIVE

Township Board

Personal Services

Salaries and Wages \$ 6,045

Supplies

Office Supplies 116

Other Services and Charges

Communications 1,547

Rent 552

Dues and Fees 1,816

Bank Charges 167

Miscellaneous - Other 95

Total Legislative \$ 10,338

GENERAL GOVERNMENT

Supervisor

Personal Services

Salaries and Wages \$ 10,640

Supplies

Office Supplies 74

Other Services and Charges

Travel 146 \$ 10,860

Elections

Supplies

Office Supplies \$ 273

Other Services and Charges

Contracted Services 3,456

Miscellaneous 59 3,788

Assessor

Supplies

Office Supplies \$ 5,445

Other Services and Charges

Contracted Services 37,073

Printing and Publishing 372

Repairs 431

Capital Outlay 2,598 45,919

LAKE TOWNSHIP, MISSAUKEE COUNTY

LAKE CITY, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES

FOR THE YEAR ENDED MARCH 31, 2005

Attorney

Other Services and Charges

Contracted Services	\$ 3,350	
Printing and Publishing	623	3,973

Clerk

Personal Services

Salaries and Wages	\$ 12,075	
Salaries and Wages - Deputy	105	

Supplies

Office Supplies	1,002	
-----------------	-------	--

Other Services and Charges

Miscellaneous	300	13,482
---------------	-----	--------

Board of Review

Personal Services

Salaries and Wages	\$ 1,130	
--------------------	----------	--

Supplies

Office Supplies	194	
-----------------	-----	--

Other Services and Charges

Travel	184	1,508
--------	-----	-------

Treasurer

Personal Services

Salaries and Wages	\$ 21,375	
Salaries and Wages - Deputy	75	

Supplies

Office Supplies	1,067	
-----------------	-------	--

Other Services and Charges

Travel	412	
Miscellaneous	300	
Printing and Publishing	4,950	
Repair and Maintenance	357	28,536

Building and Grounds

Contracted Services	\$ 2,045	
Public Utilities	1,591	
Repair and Maintenance	871	4,507

LAKE TOWNSHIP, MISSAUKEE COUNTY

LAKE CITY, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES

FOR THE YEAR ENDED MARCH 31, 2005

Cemetery

Other Services and Charges

Contracted Services	\$	4,230	
Miscellaneous		196	
Printing and Publishing		36	4,462

Conservation Activities

Other Services and Charges

Contracted Services	\$	8,059	
Printing and Publishing		161	8,220

Total General Government

125,255

PUBLIC SAFETY

Fire Department

Aide to Other Governments

Lake Missaukee Fire Authority	\$	5,000	
-------------------------------	----	-------	--

Other Services and Charges

Fire Runs		1,500	
Miscellaneous		195	6,695

Ordinance Enforcement

Personal Services

Salaries and Wages	\$	150	
--------------------	----	-----	--

Supplies

Office Supplies		4	
-----------------	--	---	--

Other Services and Charges

Travel		8	162
--------	--	---	-----

Total Public Safety

6,857

PUBLIC WORKS

Highways, Streets and Bridges

Other Services and Charges

Repairs and Maintenance	\$	35,218	
-------------------------	----	--------	--

Street Lighting

Other Services and Charges

Utilities		7,953	
-----------	--	-------	--

Total Public Works

43,171

LAKE TOWNSHIP, MISSAUKEE COUNTY

LAKE CITY, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES

FOR THE YEAR ENDED MARCH 31, 2005

RECREATION AND CULTURAL

Recreation and Parks

Other Services and Charges

Contracted Services 2,238

OTHER FUNCTIONS

Insurance and Bonds \$ 6,081

Employee Benefits

Medicare and Social Security 589

Pension Contribution 4,791

Other Services and Charges

Contracted Services 3,985

Total Other Functions 15,446

TOTAL EXPENDITURES \$ 203,305

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

FIRE FUND

BALANCE SHEET
MARCH 31, 2005

ASSETS

Cash	
Money Market Account	\$ 18,651
Taxes Receivable	4,299
Prepaid Expenditures	<u>23,989</u>
 TOTAL ASSETS	 \$ <u>46,939</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Deferred Revenue	<u>\$ 119</u>
------------------	---------------

FUND BALANCE

Reserved for Fire Protection	\$ 22,831
Reserved for Prepaid Expenditures	<u>23,989</u>

Total Fund Balance	<u>\$ 46,820</u>
--------------------	------------------

TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 46,939</u>
------------------------------------	------------------

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>		
Taxes		
Current Taxes	\$ 43,000	\$ 47,620
Interest and Rents		
Interest Earnings	300	45
Total Revenues	\$ 43,300	\$ 47,665
<u>EXPENDITURES</u>		
Public Safety		
Aid to Other Government	42,000	47,978
Excess of Revenues		
Over (Under) Expenditures	\$ 1,300	\$ (313)
<u>FUND BALANCE</u> - Beginning of Year	20,000	47,133
<u>FUND BALANCE</u> - End of Year	\$ 21,300	\$ 46,820

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

IMPROVEMENT REVOLVING FUND

BALANCE SHEET
MARCH 31, 2005

ASSETS

Cash	
Money Market Account	\$ 312,355
Accrued Interest Receivable	5,229
Advances to Other Funds	<u>195,058</u>
 TOTAL ASSETS	 <u><u>\$ 512,642</u></u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
 <u>FUND BALANCE</u>	
Designated for Township Improvements	<u>512,642</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 512,642</u></u>

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

IMPROVEMENT REVOLVING FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDING MARCH 31, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>		
Interest		
Interest Earnings	\$ 2,000	\$ 6,166
<u>EXPENDITURES</u>	<u>0</u>	<u>0</u>
Excess of Revenues		
Over (Under) Expenditures	\$ 2,000	\$ 6,166
<u>OTHER FINANCING SOURCES (USES)</u>		
Operating Transfer In (Out)		
General Fund	<u>10,000</u>	<u>100,000</u>
Excess of Revenues and Other Financing		
Sources Over (Under) Expenditures		
and Other Uses	\$ 12,000	\$ 106,166
<u>FUND BALANCE</u> - Beginning of Year	<u>187,000</u>	<u>406,476</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 199,000</u>	<u>\$ 512,642</u>

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

DEBT SERVICE FUND - SEWER PROJECT #2

BALANCE SHEET
MARCH 31, 2005

ASSETS

Cash	
Money Market Account	\$ 4,035
Special Assessments Receivable	10,062
	<hr/>
TOTAL ASSETS	\$ 14,097
	<hr/> <hr/>

LIABILITIES AND FUND BALANCE

LIABILITIES

Advances from Other Funds	\$ 732
Deferred Revenue	9,752
	<hr/>

TOTAL LIABILITIES	10,484
-------------------	--------

FUND BALANCE

Reserved for Debt Retirement	3,613
	<hr/>

TOTAL LIABILITIES AND FUND BALANCE	\$ 14,097
	<hr/> <hr/>

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

DEBT SERVICE FUND - SEWER PROJECT #2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2005

REVENUES

Interest	
Interest on Earnings	\$ 169
Other Revenues	
Special Assessments Including Interest	<u>1,602</u>
Total Revenues	\$ 1,771

EXPENDITURES

Debt Services	<u>0</u>
Excess of Revenues Over (Under) Expenditures	\$ 1,771

<u>FUND BALANCE</u> - Beginning of Year	<u>1,842</u>
---	--------------

<u>FUND BALANCE</u> - End of Year	<u><u>3,613</u></u>
-----------------------------------	---------------------

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

DEBT SERVICE FUND - SEWER PROJECT #3

BALANCE SHEET
MARCH 31, 2005

ASSETS

Cash	
Money Market Account	\$ 10,084
Special Assessments Receivable	35,753
	<hr/>
TOTAL ASSETS	\$ 45,837
	<hr/> <hr/>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accrued Interest Payable	\$ 837
Advances from Other Funds	45,000
Deferred Revenue	35,145
	<hr/>
TOTAL LIABILITIES	\$ 80,982

FUND BALANCE

Reserved for Debt Retirement (Deficit)	(35,145)
	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 45,837
	<hr/> <hr/>

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

DEBT SERVICE FUND - SEWER PROJECT #3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2005

REVENUES

Interest	
Interest on Earnings	\$ 17
Other Revenues	
Special Assessments Including Interest	<u>8,440</u>
Total Revenues	<u>\$ 8,457</u>

EXPENDITURES

Debt Services	
Redemption of Bonds	\$ 60,000
Interest on Bonds	2,175
Other Interest Expense	837
Paying Agent Fees	300
Call Premium - Early Redemption	<u>600</u>
Total Expenditures	<u>\$ 63,912</u>
Excess of Revenues Over (Under) Expenditures	\$ (55,455)

<u>FUND BALANCE</u> - Beginning of Year	<u>20,310</u>
---	---------------

<u>FUND BALANCE</u> - End of Year - (Deficit)	<u><u>\$ (35,145)</u></u>
---	---------------------------

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

DEBT SERVICE FUND - SEWER PROJECT #4

BALANCE SHEET
MARCH 31, 2005

ASSETS

Cash	
Money Market Account	\$ 152,270
Special Assessments Receivable	505,432
	<hr/>
TOTAL ASSETS	\$ 657,702
	<hr/> <hr/>

LIABILITIES AND FUND BALANCE

LIABILITIES

Deferred Revenue	\$ 495,061
------------------	------------

FUND BALANCE

Reserved for Debt Retirement	162,641
	<hr/>

TOTAL LIABILITIES AND FUND BALANCE	\$ 657,702
	<hr/> <hr/>

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

DEBT SERVICE FUND - SEWER PROJECT #4
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2005

REVENUES

Interest	
Interest on Earnings	\$ 1,380
Other Revenues	
Special Assessments Including Interest	<u>150,130</u>
Total Revenues	<u>\$ 151,510</u>

EXPENDITURES

Debt Services	
Redemption of Bonds	\$ 150,000
Interest on Bonds	44,250
Paying Agent Fees	1,125
Call Premium - Early Redemption	<u>1,500</u>
Total Expenditures	<u>\$ 196,875</u>
Excess of Revenues Over (Under) Expenditures	\$ (45,365)

<u>FUND BALANCE</u> - Beginning of Year	<u>208,006</u>
---	----------------

<u>FUND BALANCE</u> - End of Year	<u><u>\$ 162,641</u></u>
-----------------------------------	--------------------------

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

SEWER FUND

STATEMENT OF NET ASSETS
MARCH 31, 2005

ASSETS

CURRENT ASSETS

Cash	
Commercial Account	\$ 17,521
Receivable	
Accounts	11,032
Total Current Assets	<u>\$ 28,553</u>

RESTRICTED ASSETS

Money Market Accounts	
Consumer Debt Service Fund	\$ 34,003
Expansion Fund	26,489
Total Restricted Assets	<u>\$ 60,492</u>

CAPITAL ASSETS

Machinery and Equipment	\$ 70,626
Sewer System	4,713,258
Total Capital Assets	<u>\$ 4,783,884</u>
Less Accumulated Depreciation	941,242
Net Capital Assets	<u>\$ 3,842,642</u>
TOTAL ASSETS	<u>\$ 3,931,687</u>

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

SEWER FUND

STATEMENT OF NET ASSETS
MARCH 31, 2005

LIABILITIES AND NET ASSETS

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 1,321
Accrued Interest Payable	4,392
Advances From Other Funds	150,058
Current Portion of Long-Term Debt	2,872
Total Current Liabilities	<u>\$ 158,643</u>

LONG-TERM LIABILITIES

Note Payable - 2005 Dodge Ram	\$ 5,572
Less: Current Portion	(2,872)
Total Long-Term Liabilities	<u>\$ 2,700</u>

TOTAL LIABILITIES	<u>\$ 161,343</u>
-------------------	-------------------

NET ASSETS

Invested in Capital Assets, Net of Related Debt	\$ 3,687,012
Restricted	60,492
Unrestricted	22,840
Total Net Assets	<u>\$ 3,770,344</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,931,687</u></u>
----------------------------------	----------------------------

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

SEWER FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2005

OPERATING REVENUES

Charges for Services	
Sewer Use Charges	\$ 121,976
Connection Charges	77,100
Trunkage Fees	12,600
Availability Charges	1,750
Other Revenue	
Land Rent	7,900
Refunds	1,737
Reimbursements	432
Miscellaneous	1,061
	<hr/>
Total Operating Revenues	\$ 224,556

OPERATING EXPENSES

Administration and General	
Personal Services	
Salaries and Wages	\$ 3,730
Supplies	
Office Supplies	1,883
Other Services and Charges	
Insurance	10,536
Bank Fees	10
Plant	
Personal Services	
Salaries and Wages	48,531
Fringe Benefits	15,664
Supplies	
Operating Supplies	5,229
Other Services and Charges	
Lab Analysis	5,338
Utilities	21,365
Repairs and Maintenance	4,747

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

SEWER FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2005

Contracted Services	25,234
Step Units	12,876
Miscellaneous	931
Depreciation	<u>99,584</u>
Total Operating Expenses	\$ <u>255,658</u>
Operating Income (Loss)	\$ (31,102)
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest Income	\$ 583
Interest Expense	<u>(3,141)</u>
Total Nonoperating Revenues (Expenses)	\$ <u>(2,558)</u>
Change in Net Assets	\$ (33,660)
<u>NET ASSETS</u> - Beginning of Year	<u>3,804,004</u>
<u>NET ASSETS</u> - End of Year	<u><u>\$ 3,770,344</u></u>

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

SEWER FUND

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2005

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities:

Cash Received from Customers	\$ 207,767
Cash Payments to Suppliers for Goods and Services	(103,732)
Cash Payments to Employees for Services	(52,261)
Other Operating Revenues	<u>11,130</u>

Net Cash Provided by Operating Activities	<u>\$ 62,904</u>
---	------------------

Cash Flows from Capital and Related Financing Activities:

Acquisition and Construction of Capital Assets	\$ (41,166)
Principal Payments	(428)
Interest Expense Paid	(146)
Loan Proceeds	<u>6,000</u>

Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>\$ (35,740)</u>
--	--------------------

Cash Flows from Investing Activities

Interest Received	<u>583</u>
-------------------	------------

Net Increase (Decrease) in Cash and Cash Equivalents	\$ 27,747
--	-----------

<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>50,266</u>
--	---------------

<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u>\$ 78,013</u>
--	------------------

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

SEWER FUND

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2005

RECONCILIATION OF OPERATING INCOME
TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income (Loss)	<u>\$ (31,102)</u>
Adjustments to Reconcile Operating Income to Cash Provided by Operating Activities	
Depreciation	\$ 99,584
(Increase) Decrease in Current Assets	
Accounts Receivable	(3,670)
Increase (Decrease) in Current Liabilities	
Accounts Payable	81
Deferred Revenue	<u>(1,989)</u>
Total Adjustments	<u>\$ 94,006</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u><u>\$ 62,904</u></u>

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED MARCH 31, 2005

	BALANCE			BALANCE
	4/1/2004	ADDITIONS	DEDUCTIONS	3/31/2005
<hr/>				
<u>ASSETS</u>				
Cash				
Commerical Account	\$ 34	\$ 3,316,873	\$ 3,316,891	\$ 16
Money Market Account	4,963	3,286,996	3,286,977	4,982
	<hr/>			
TOTAL ASSETS	\$ 4,997	\$ 6,603,869	\$ 6,603,868	\$ 4,998
	<hr/>			
<u>LIABILITIES</u>				
Refunds Payable to Taxpayers	\$ 0	\$ 6,702	\$ 6,702	\$ 0
Due to Other Governments	0	3,056,841	3,056,841	0
Due to Other Funds	4,997	253,926	253,925	4,998
	<hr/>			
TOTAL LIABILITIES	\$ 4,997	\$ 3,317,469	\$ 3,317,468	\$ 4,998
	<hr/>			

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

STATEMENT OF 2004 TAX ROLL
MARCH 31, 2005

TAXES ASSESSED

County	\$	760,515	
County - State Education Tax		613,753	
City			
Delinquent Sewer Usage		718	
Township			
Operating		153,428	
Fire		47,623	
Sewer Debt Service		21,580	
Delinquent Sewer Assessment and Usage		25,385	
Schools			
Lake City Area Schools		1,158,536	
McBain Rural Agricultural Schools		180,686	
Intermediate School			
Wexford-Missaukee		612,245	
Crooked Lake Improvement Board		17,250	\$ 3,591,719

TAXES COLLECTED

County	\$	692,655	
County - State Education Tax		574,803	
City			
Delinquent Sewer Usage		86	
Township			
Operating		139,738	
Fire		43,374	
Sewer Debt Service		19,466	
Delinquent Sewer Assessment and Usage		14,439	
Schools			
Lake City Area Schools		1,058,747	
McBain Rural Agricultural Schools		159,868	
Intermediate School			
Wexford-Missaukee		557,614	
Crooked Lake Improvement Board		16,239	3,277,029

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

STATEMENT OF 2004 TAX ROLL
MARCH 31, 2005

TAXES RETURNED DELINQUENT

County	\$	67,860	
County - State Education Tax		38,950	
City			
Delinquent Sewer Usage		632	
Township			
Operating		13,690	
Fire		4,249	
Sewer Debt Service		2,114	
Delinquent Sewer Assessment and Usage		10,946	
Schools			
Lake City Area Schools		99,789	
McBain Rural Agricultural Schools		20,818	
Intermediate School			
Wexford-Missaukee		54,631	
Crooked Lake Improvement Board		<u>1,011</u>	<u>\$ 314,690</u>

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

STATEMENT OF 1993 BONDS PAYABLE
MARCH 31, 2005

TITLE Missaukee Sanitary Drainage District No. 2 Drain Bonds

PURPOSE The bonds were issued under to provisions of Chapter 20, of Act No. 40 Public Acts of Michigan, 1956, as amended. The bonds were issued to defray the cost of locating, establishing and constructing the Missaukee Sanitary Drain No. 2 in the County of Missaukee.

DATE OF ISSUE July 1, 1993

AMOUNT OF ISSUE \$ 3,625,938

INTEREST RATES 5.00%

BALANCE OUTSTANDING \$ 3,625,938

Amount Redeemed Prior Years	\$ 2,665,938	
Amount Redeemed During Current Year	150,000	2,815,938

BALANCE OUTSTANDING - March 31, 2005 \$ 810,000

DUE DATES	Requirements		
	Principal	Interest	Total
May 1, 2005	\$ 0	\$ 20,250	20,250
November 1, 2005		20,250	20,250
May 1, 2006	0	20,250	20,250
November 1, 2006		20,250	20,250
May 1, 2007	0	20,250	20,250
November 1, 2007		20,250	20,250
May 1, 2008	115,000	20,250	135,250
November 1, 2008		17,375	17,375
May 1, 2009	225,000	17,375	242,375
November 1, 2009		11,750	11,750
May 1, 2010	230,000	11,750	241,750
November 1, 2010		6,000	6,000
May 1, 2011	240,000	6,000	246,000
	\$ 810,000	\$ 212,000	\$ 1,022,000

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

STATEMENT OF 1993 BONDS PAYABLE
MARCH 31, 2005

PRIOR REDEMPTION

Bonds of this issue maturing in the years 1994 to 2002, inclusive, shall not be subject to redemption prior to maturity. Bonds in multiples of \$5,000 of this issue maturing in the years 2003 to 2011, inclusive, shall be subject to redemption prior to maturity at the option of the District in such order as the District shall determine, on any interest payment date on or after May 1, 2002, at par plus accrued interest to the date fixed for redemption, plus a premium expressed as a percentage of par as follows:

2% of the par value of each bond called for redemption on or after May 1, 2002, but prior to May 1, 2004;

1% of the par value of each bond called for redemption on or after May 1, 2004, but prior to May 1, 2006;

No premium if called for redemption on or after May 1, 2006.

In case less than the full amount of an outstanding bond is presented for redemption, the Bond Registrar, upon presentation of the bond called for redemption, shall register, authenticate and deliver to the registered owner of record new bonds in the principal amount of the portion of the original bond not called for redemption.

The Bonds are transferable only upon the books of the District kept for that purpose at the office of the Bond Registrar by the Registered Owner thereof in person, or by, his attorney duly authorized in writing, upon the surrender of such Bond together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the Registered Owner or his attorney duly authorized in writing, and thereupon a new registered Bond or Bonds in the same aggregate principal amount and of the same interest rate and maturity shall be issued to the transferee in exchange therefore as provided in the resolution authorizing the Bonds, and upon the payment of the charges, if any, therein prescribed.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

April 29, 2005

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Lake Township
Missaukee County
Lake City, Michigan

During the course of our audit of the basic financial statements of Lake Township for the year ended March 31, 2005, we noted the following items:

Reportable Condition in Internal Controls

As part of our audit of the Township, we considered the internal control structure in order to determine our auditing procedures. We are issuing a separate letter which addresses reportable conditions.

Deficit Fund Balance due to Application of "60 day rule"

The Debt Service Fund-Sewer Project #3 has a technical deficit balance due to the application of the 60 day rule for revenue recognition on the modified accrual basis of accounting. As you can see, the fund actually has deferred special assessment receivables yet to be collected in amounts sufficient to cover the deficit if they had been reported as revenue instead of deferred revenue. We have assisted you in the preparation of your deficit reduction plan to be filed with the Department of Treasury, and believe this explanation will satisfy their department, as they are aware of the 60 day rule.

General Condition of Accounting Records

In the General Fund, the miscellaneous expense accounts are being overused. Expenses should be posted to their correct accounts.

In the Sewer Fund, a portion of the Chemical Bank deposits are being expensed to Medicare. The expense portion should go against the related liability as the expense has already been accrued.

We would like to thank the board for awarding our firm the audit assignment of the Township and to thank the Township officers for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

April 29, 2005

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Lake Township
Missaukee County
Lake City, Michigan

In planning and performing our audit of the financial statements of Lake Township, Missaukee County, Lake City, Michigan for the year ended March 31, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the State make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.